

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of New Buffalo	County Berrien
Audit Date 6/30/05	Opinion Date 8/17/05	Date Accountant Report Submitted to State: 12/05/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 710 E. Milham	City Kalamazoo	State MI	ZIP 49002
Accountant Signature 			

**City of New Buffalo**

**New Buffalo, Michigan  
Annual Financial Statements  
and  
Auditors' Report  
June 30, 2005**

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**City of New Buffalo**  
**List of Elected and Appointed Officials**  
**June 30, 2005**

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City Council

Jack Kennedy – Mayor

William Geisler – Mayor Pro-Tem

Frank Allie – Councilman

Danny Garrison – Councilman

Bob Westergren – Councilman

Other Officers and Officials

Tom Johnson – City Manager

Joan Weishaupt-Jones – City Clerk

Sue Rogers – City Treasurer



710 E. Milham  
Kalamazoo, MI 49002  
Phone (269) 329-7007 / (800) 375-3968  
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## Independent Auditors' Report

Members of the City Council  
City of New Buffalo  
New Buffalo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Buffalo as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Buffalo as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of New Buffalo's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

August 17, 2005  
Kalamazoo, Michigan

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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The management of the City of New Buffalo, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

**HIGHLIGHTS**

**Government-wide:**

The assets of the City exceeded its liabilities at the close of the fiscal year by \$7.6 million (reported as net assets), an increase of \$495,000 from the previous year.

**Fund Level:**

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1,258,584. Of this, \$1,142,482 is reported as unreserved fund balance. The remaining fund balance is reserved for debt service (\$81,436) and designated for special projects (\$34,666). At the end of the fiscal year, unreserved fund balance for the General Fund was \$432,681, an increase of \$32,453. The proprietary funds reported an increase in net assets of \$338,565 during the year.

**Long Term Debt:**

The City's total long-term debt was \$4,580,455 at June 30, 2005, a decrease of \$342,420, which represents payments of outstanding debt. More detailed information regarding these activities and funds begins on page 4-24.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

The City's combined net assets increased \$472,449 over the course of this fiscal year's operations to a total of \$7,637,923. The net assets of the governmental activities increased \$133,884 and business-type activities increased \$345,690.

**Net Assets as of June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>						
Current and other non-current assets	\$ 1,608,278	\$ 1,470,760	\$ 4,307,981	\$ 4,046,562	\$ 5,916,259	\$ 5,517,322
Capital assets	<u>3,043,942</u>	<u>3,235,560</u>	<u>3,463,842</u>	<u>3,511,984</u>	<u>6,507,784</u>	<u>6,747,544</u>
Total Assets	4,652,220	4,706,320	7,771,823	7,558,546	12,424,043	12,264,866
<b>Liabilities</b>						
Long-term liabilities	1,615,500	1,783,169	2,635,537	2,797,117	4,251,037	4,580,286
Other liabilities	<u>260,636</u>	<u>303,650</u>	<u>274,447</u>	<u>245,280</u>	<u>535,083</u>	<u>548,930</u>
Total Liabilities	1,876,136	2,086,819	2,909,984	3,042,397	4,786,120	5,129,216
<b>Net Assets</b>						
Invested in capital assets, net of related debt	1,600,604	1,636,382	2,234,364	2,125,926	3,834,968	3,762,308
Restricted	--	--	1,513,598	1,272,423	1,513,598	1,272,423
Unrestricted	<u>1,175,480</u>	<u>983,119</u>	<u>1,113,877</u>	<u>1,117,800</u>	<u>2,289,357</u>	<u>2,100,919</u>
Total Net Assets	\$ <u>2,776,084</u>	\$ <u>2,619,501</u>	\$ <u>4,861,839</u>	\$ <u>4,516,149</u>	\$ <u>7,637,923</u>	\$ <u>7,135,650</u>

The largest component of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Unrestricted net assets are the next largest component. These represent resources that may be used at the City's discretion, but often have limitations based upon policy action. The remaining portion, restricted net assets, is subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision.

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2005**

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year.

**Change in Net Assets For the Fiscal Year Ended June 30, 2005**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 440,612	\$ 387,554	\$ 1,502,773	\$ 1,336,026	\$ 1,943,385	\$ 1,723,580
Operating Grants	11,685	22,289	--	--	11,685	22,289
Capital Grants	17,090	39,609	--	--	17,090	39,609
General Revenues						
Taxes	1,609,601	1,487,553	--	--	1,609,601	1,487,553
State shared revenue	410,671	419,672	--	--	410,671	419,672
Licenses and permits	113,273	106,326	--	--	113,273	106,326
Unrestricted investment earnings	51,173	41,082	25,851	13,103	77,024	54,185
Other	<u>47,051</u>	<u>36,709</u>	<u>56,428</u>	<u>(25,605)</u>	<u>103,479</u>	<u>11,104</u>
Total Revenues	2,701,156	2,540,794	1,585,052	1,323,523	4,286,208	3,864,317
<b>Expenses</b>						
General government	592,942	490,431	--	--	592,942	490,431
Public safety	811,373	691,041	--	--	811,373	691,041
Public works	623,078	755,367	--	--	623,078	755,367
Recreation and culture	285,003	287,217	--	--	285,003	287,217
Other	111,830	133,144	--	--	111,830	133,144
Interest on long-term debt	99,032	98,840	--	--	99,032	98,840
Sewer	--	--	494,931	399,360	494,931	399,360
Water	<u>--</u>	<u>--</u>	<u>788,445</u>	<u>823,492</u>	<u>788,445</u>	<u>823,492</u>
Total Expenses	2,523,258	2,456,040	1,283,376	1,222,852	3,806,634	3,678,892
Transfers in	--	--	44,014	45,362	44,014	45,362
Transfers out	(44,014)	(45,362)	--	--	(44,014)	(45,362)
Increase in net assets	133,884	39,392	345,690	146,033	479,574	185,425
Prior period adjustment	22,699	--	--	18,275	22,699	18,275
Beginning net assets	<u>2,619,501</u>	<u>2,580,109</u>	<u>4,516,149</u>	<u>4,351,841</u>	<u>7,135,650</u>	<u>6,931,950</u>
Ending net assets	\$ <u>2,776,084</u>	\$ <u>2,619,501</u>	\$ <u>4,861,839</u>	\$ <u>4,516,149</u>	\$ <u>7,637,923</u>	\$ <u>7,135,650</u>

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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Property taxes comprise 59% of Governmental Activities revenue. The City's operating mileage during the fiscal year was 12.2108 mills. A special G.O. Debt levy was .3002 mills, for a total Citywide tax levy of 12.5122 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 20 mills for operation in fiscal year 2004-2005.

The City has no income tax.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. Fiscal year 2004-2005 receipts from the State of Michigan trended downward, attributed to discretionary reductions in revenue sharing payments by the State of Michigan.

**Business type Activities**

Net assets of the business-type activities increased by \$345,690 during the fiscal year. The Sewer Fund net assets decreased by \$93,126. This is primarily due to interest paid on the contract payable to Galien River Sanitary District (see Note 8 for more information). The Water Fund net assets increased by \$438,816.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the fiscal year, its governmental funds reported fund balances of \$1,258,584. Of this total amount, \$1,142,482 constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it has been reserved for debt service and special projects.

**General Fund**

The General Fund is the chief operating fund of the City. At the end of fiscal year 2004-2005, the General Fund fund balance was \$432,681, all unreserved, available for appropriation for general purposes. The fund balance increased by \$32,453 over the previous fiscal year.

**General Fund Budgetary Highlights**

Expenditures in comparison to budget were reduced in virtually all operating departments by selective deferral of equipment purchases, and by administrative actions to reduce operating costs.

Property tax revenue (including penalties and interest) increased \$82,518 or 5.5% in fiscal year 2004-2005. This is attributed to usual increases in property values and new housing growth, primarily in second/vacation homes.

The State reduced revenue sharing payments by \$6,154 in fiscal year 2004-2005. This resulted from State actions in response to the statewide economic slowdown.

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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Over the course of the year, the City amended the budget to take into account events during the year. The most significant changes were: (1) decrease the estimated state revenue sharing revenue, caused by the state announced reductions; (2) increase the budget for other revenue in anticipation of increase planning fee revenue from new developments, which did not materialize, and a concurrent increase in expenditures in zoning for new development engineering and legal costs, which again did not materialize. City departments overall stayed under budget, resulting in expenditures \$149,973 under budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets: At the end of the fiscal year 2004-2005, the City had invested \$6,507,784, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for this fiscal year were \$407,739.

**Capital Assets as of June 30, 2005 and 2004**  
**(net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 181,467	\$ 181,467	\$ 20,500	\$ 20,500	\$ 201,967	\$ 201,967
Land Improvements	213,396	239,870	--	--	213,396	239,870
Buildings	2,082,329	2,150,644	3,307,959	3,360,161	5,390,288	5,510,805
Machinery and equipment	436,620	527,832	135,383	109,670	572,003	637,502
Infrastructure	<u>130,130</u>	<u>135,747</u>	<u>--</u>	<u>--</u>	<u>130,130</u>	<u>135,747</u>
Subtotal	3,043,942	3,235,560	3,463,842	3,490,331	6,507,784	6,725,891
Construction in Progress	<u>--</u>	<u>--</u>	<u>--</u>	<u>21,653</u>	<u>--</u>	<u>21,653</u>
Total	<u>\$ 3,043,942</u>	<u>\$ 3,235,560</u>	<u>\$ 3,463,842</u>	<u>\$ 3,511,984</u>	<u>\$ 6,507,784</u>	<u>\$ 6,747,544</u>

This year's major additions included:

Township Master Meter Project	\$ 129,866
Police Car and Accessories	31,971
Soccer Field	8,220
ATV	5,000

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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Long-term Debt: The City, along with the New Buffalo Building Authority (NBBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds, are backed by the full faith and credit of the City. The City also can issue revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. NBBA's bonds financed the construction of the City Hall. Rents paid by the City fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. More detailed information regarding the City's long-term obligations is presented in Note 8 to the financial statements.

**Outstanding Bonded Debt as of June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Obligation Bonds (backed by the City)	\$ 1,310,000	\$ 1,425,000	\$ 1,280,000	\$ 1,445,000	\$ 2,590,000	\$ 2,870,000
Revenues Bonds and Notes (backed by specific fee revenues)	<u>340,000</u>	<u>370,000</u>	<u>--</u>	<u>--</u>	<u>340,000</u>	<u>370,000</u>
Total	<u>\$ 1,650,000</u>	<u>\$ 1,795,000</u>	<u>\$ 1,280,000</u>	<u>\$ 1,445,000</u>	<u>\$ 2,930,000</u>	<u>\$ 3,240,000</u>

**ECONOMIC CONDITION AND OUTLOOK**

State multi-year tax reduction legislation curtailed the State of Michigan's revenue collections. In May 2001 it became apparent that State revenues were declining and State Revenue Sharing payments to local government were cut to meet reduced revenue projections. Such reductions, and reductions in interest earnings on surplus funds, due to declines in interest rates, negatively impacted recent fiscal years, necessitating managerial constraints on operating expenditures.

Continuing expected reductions in State Revenue Sharing and the low interest rate environment, yet continuing inflationary pressure of municipal materials, supplies and equipment, dictated prudent expenditures for fiscal year 2004-2005 , and a continuance of administrative cost containment measures.

**CONTACTING THE CITY FINANCE DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Treasurer at (269) 469-1500.

**City of New Buffalo**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,150,838	\$ 1,422,477	\$ 2,573,315
Receivables			
Customers	55,583	358,725	414,308
Special assessments	28,688	-	28,688
Due from other units of government	103,571	-	103,571
Due from fiduciary funds	7,322	-	7,322
Inventories	-	750	750
Prepaid items	43,500	15,400	58,900
Restricted assets			
Cash and cash equivalents	-	17,847	17,847
Special assessment receivable	216,354	-	216,354
Bond issue discount (net)	2,422	33,451	35,873
Investment in joint venture	-	2,459,331	2,459,331
Capital assets, net	<u>3,043,942</u>	<u>3,463,842</u>	<u>6,507,784</u>
 Total assets	 <u>4,652,220</u>	 <u>7,771,823</u>	 <u>12,424,043</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 53,052	\$ 68,683	\$ 121,735
Accrued and other liabilities	39,746	21,918	61,664
Customer deposits	-	17,847	17,847
Due to other units of government	-	4,419	4,419
Noncurrent liabilities			
Contract payable	-	1,567,639	1,567,639
Due within one year	167,838	161,580	329,418
Due in more than one year	1,615,500	1,067,898	2,683,398
	<u>1,876,136</u>	<u>2,909,984</u>	<u>4,786,120</u>
Total liabilities			
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,260,604	2,234,364	3,494,968
Restricted for:			
Joint venture	-	891,692	891,692
Expansion	-	181,665	181,665
Maintenance	-	440,241	440,241
Unrestricted	1,515,480	1,113,877	2,629,357
	<u>1,515,480</u>	<u>1,113,877</u>	<u>2,629,357</u>
Total net assets	<u>\$ 2,776,084</u>	<u>\$ 4,861,839</u>	<u>\$ 7,637,923</u>

**City of New Buffalo**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

For the Year Ended June 30, 2022							
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 522,185	\$ 177,743	\$ 90	\$ -	\$ (344,352)	\$ -	\$ (344,352)
Public safety	811,373	-	-	-	(811,373)	-	(811,373)
Public works	623,078	159,877	-	-	(463,201)	-	(463,201)
Health and welfare	101,948	-	-	-	(101,948)	-	(101,948)
Community and economic development	9,882	-	-	-	(9,882)	-	(9,882)
Recreation and culture	285,003	216,265	11,595	-	(57,143)	-	(57,143)
Other functions	70,757	-	-	-	(70,757)	-	(70,757)
Interest on long-term debt	99,024	-	-	17,090	(81,934)	-	(81,934)
Total governmental activities	<u>2,523,250</u>	<u>553,885</u>	<u>11,685</u>	<u>17,090</u>	<u>(1,940,590)</u>	<u>-</u>	<u>(1,940,590)</u>
Business-type activities							
Sewer	494,931	353,384	-	-	-	(141,547)	(141,547)
Water	788,445	1,149,389	-	-	-	360,944	360,944
Total business-type activities	<u>1,283,376</u>	<u>1,502,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,397</u>	<u>219,397</u>
Total primary government	<u>\$ 3,806,626</u>	<u>\$ 2,056,658</u>	<u>\$ 11,685</u>	<u>\$ 17,090</u>	<u>(1,940,590)</u>	<u>219,397</u>	<u>(1,721,193)</u>
General revenues							
Property taxes					1,609,601	-	1,609,601
State shared revenue					410,671	-	410,671
Unrestricted investment earnings					51,173	25,851	77,024
Income from joint venture					-	38,427	38,427
Gain on sale of capital assets					410	-	410
Miscellaneous					46,633	18,001	64,634
Transfers in (out)					(44,014)	44,014	-
Total general revenues and transfers					<u>2,074,474</u>	<u>126,293</u>	<u>2,200,767</u>
Change in net assets					<u>133,884</u>	<u>345,690</u>	<u>479,574</u>
Net assets - beginning of year					2,619,501	4,516,149	7,135,650
Prior period adjustment					22,699	-	22,699
Net assets - beginning of year (restated)					<u>2,642,200</u>	<u>4,516,149</u>	<u>7,158,349</u>
Net assets - end of year					\$ 2,776,084	\$ 4,861,839	\$ 7,637,923

See Accompanying Notes to Financial Statements

**City of New Buffalo  
Governmental Funds  
Balance Sheet  
June 30, 2005**

	<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Park</u>	<u>Special Assessment</u>		
<b>Assets</b>							
Cash and cash equivalents	\$ 342,745	\$ 42,230	\$ 25,929	\$ 27,414	\$ 74,372	\$ 638,148	\$ 1,150,838
Receivables							
Customers	44,426	-	-	11,157	-	-	55,583
Special assessments	-	-	-	-	28,688	-	28,688
Due from other units of government	60,590	23,119	19,862	-	-	-	103,571
Due from other funds	34,433	-	-	-	7,064	-	41,497
Prepaid items	31,800	-	-	11,700	-	-	43,500
Special assessments receivable - deferred	-	-	-	-	216,354	-	216,354
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 513,994</u>	<u>\$ 65,349</u>	<u>\$ 45,791</u>	<u>\$ 50,271</u>	<u>\$ 326,478</u>	<u>\$ 638,148</u>	<u>\$ 1,640,031</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo  
Governmental Funds  
Balance Sheet  
June 30, 2005**

	<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Park</u>	<u>Special Assessment</u>		
<b>Liabilities</b>							
Accounts payable	\$ 37,388	\$ 597	\$ 2,874	\$ 12,193	\$ -	\$ -	\$ 53,052
Accrued and other liabilities	9,258	939	902	3,412	-	-	14,511
Due to other funds	-	-	-	-	-	34,175	34,175
Deferred revenue	<u>34,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,042</u>	<u>-</u>	<u>279,709</u>
 Total liabilities	 <u>81,313</u>	 <u>1,536</u>	 <u>3,776</u>	 <u>15,605</u>	 <u>245,042</u>	 <u>34,175</u>	 <u>381,447</u>
 <b>Fund Balances</b>							
Reserved for:							
Debt service	-	-	-	-	81,436	-	81,436
Unreserved							
Designated for special projects	-	-	-	34,666	-	-	34,666
Unreserved, reported in:							
General fund	432,681	-	-	-	-	-	432,681
Special revenue funds	-	63,813	42,015	-	-	67,439	173,267
Debt service funds	-	-	-	-	-	31,652	31,652
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>504,882</u>	<u>504,882</u>
 Total fund balances	 <u>432,681</u>	 <u>63,813</u>	 <u>42,015</u>	 <u>34,666</u>	 <u>81,436</u>	 <u>603,973</u>	 <u>1,258,584</u>
 Total liabilities and fund balances	 <u>\$ 513,994</u>	 <u>\$ 65,349</u>	 <u>\$ 45,791</u>	 <u>\$ 50,271</u>	 <u>\$ 326,478</u>	 <u>\$ 638,148</u>	 <u>\$ 1,640,031</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**June 30, 2005**

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<b>Total fund balances for governmental funds</b>	\$ 1,258,584
Total net assets for governmental activities in the statement of net assets is different because:	
Bond issue discount (net) is expensed in the funds in the year incurred.	2,422
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,043,942
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	
Deferred state shared revenue	34,667
Deferred special assessments	231,584
Special assessment interest receivable	13,458
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(25,235)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(1,783,338)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 2,776,084</u></u>

**City of New Buffalo**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2005**

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds Total</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Park</u>	<u>Special Assessment</u>	
<b>Revenues</b>						
Taxes	\$ 1,571,323	\$ -	\$ -	\$ -	\$ -	\$ 1,609,601
Licenses and permits	113,273	-	-	-	-	113,273
State revenue sharing	195,994	142,934	71,109	-	-	410,037
Charges for services	224,347	-	-	216,265	-	440,612
Fines and forfeitures	21,630	-	-	-	-	21,630
Interest income	17,392	1,145	472	(198)	25,182	52,396
Other revenue	21,204	-	-	12,142	31,330	68,026
Total revenues	<u>2,165,163</u>	<u>144,079</u>	<u>71,581</u>	<u>228,209</u>	<u>56,512</u>	<u>2,715,575</u>
<b>Expenditures</b>						
Current						
General government	395,238	-	-	-	-	396,691
Public safety	748,750	-	-	-	-	754,665
Public works	429,068	92,570	85,316	-	-	606,954
Health and Welfare	101,948	-	-	-	-	101,948
Community and economic development	9,882	-	-	-	-	9,882
Recreation and culture	-	-	-	241,496	-	241,496
Other functions	70,757	-	-	-	-	70,757
Capital outlay	11,107	-	-	8,220	-	50,216
Debt service						
Principal retirement	18,344	-	-	8,996	30,000	185,840
Interest and fiscal charges	1,046	-	-	770	20,579	101,667
Total expenditures	<u>1,786,140</u>	<u>92,570</u>	<u>85,316</u>	<u>259,482</u>	<u>50,579</u>	<u>2,520,116</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2005**

	<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds Total</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Park</u>	<u>Special Assessment</u>		
Excess (deficiency) of revenues over expenditures	\$ 379,023	\$ 51,509	\$ (13,735)	\$ (31,273)	\$ 5,933	\$ (195,998)	\$ 195,459
<b>Other financing sources (uses)</b>							
Transfers in	-	10,000	20,000	70,000	-	306,387	406,387
Transfers out	(360,883)	(44,014)	-	(3,598)	-	(41,906)	(450,401)
Sale of fixed assets	410	-	-	-	-	-	410
Total other financing sources and uses	(360,473)	(34,014)	20,000	66,402	-	264,481	(43,604)
Net change in fund balance	18,550	17,495	6,265	35,129	5,933	68,483	151,855
Fund balance - beginning of year	400,228	46,318	35,750	(9,259)	75,503	535,490	1,084,030
Prior period adjustment	13,903	-	-	8,796	-	-	22,699
Fund balance - beginning of year restated	414,131	46,318	35,750	(463)	75,503	535,490	1,106,729
Fund balance - end of year	\$ 432,681	\$ 63,813	\$ 42,015	\$ 34,666	\$ 81,436	\$ 603,973	\$ 1,258,584

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2005**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 151,855</b>
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(241,833)
Capital outlay	50,216
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State shared revenue	634
Special assessments	(14,240)
Interest revenue	(1,231)
Expenses are recorded when incurred in the statement of activities	
Accrued interest	2,945
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	185,840
Amortization of issuance costs, premiums, discounts and similar items	<u>(302)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 133,884</u></b>

**City of New Buffalo  
Proprietary Funds  
Statement of Net Assets  
June 30, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 122,240	\$ 1,300,237	\$ 1,422,477
Receivables			
Customers	99,406	259,319	358,725
Inventories	-	750	750
Prepaid items	1,000	14,400	15,400
Total current assets	<u>222,646</u>	<u>1,574,706</u>	<u>1,797,352</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	-	17,847	17,847
Bond issue discount (net)	-	33,451	33,451
Investment in joint venture	2,459,331	-	2,459,331
Capital assets, net	<u>861,611</u>	<u>2,602,231</u>	<u>3,463,842</u>
Total noncurrent assets	<u>3,320,942</u>	<u>2,653,529</u>	<u>5,974,471</u>
Total assets	<u>3,543,588</u>	<u>4,228,235</u>	<u>7,771,823</u>

**City of New Buffalo  
Proprietary Funds  
Statement of Net Assets  
June 30, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 30,107	\$ 38,576	\$ 68,683
Accrued and other liabilities	11,008	10,910	21,918
Customer deposits	-	17,847	17,847
Due to other units of government	-	4,419	4,419
Current portion of noncurrent liabilities	-	161,580	161,580
Total current liabilities	<u>41,115</u>	<u>233,332</u>	<u>274,447</u>
Noncurrent liabilities			
Contract payable	1,567,639	-	1,567,639
Long-term debt net of current portion	-	1,067,898	1,067,898
Total noncurrent liabilities	<u>1,567,639</u>	<u>1,067,898</u>	<u>2,635,537</u>
Total liabilities	<u>1,608,754</u>	<u>1,301,230</u>	<u>2,909,984</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	861,611	1,372,753	2,234,364
Restricted for:			
Joint venture	891,692	-	891,692
Expansion	-	181,665	181,665
Maintenance	83,907	356,334	440,241
Unrestricted	97,624	1,016,253	1,113,877
Total net assets	<u>\$ 1,934,834</u>	<u>\$ 2,927,005</u>	<u>\$ 4,861,839</u>

**City of New Buffalo**  
**Proprietary Funds**  
**Statement of Revenue, Expenses and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Operating revenue</b>			
Customer fees	\$ 353,384	\$ 1,149,389	\$ 1,502,773
Other revenue	8,436	9,565	18,001
Total operating revenue	<u>361,820</u>	<u>1,158,954</u>	<u>1,520,774</u>
<b>Operating expenses</b>			
Personal services	28,630	337,718	366,348
Supplies	2,802	98,323	101,125
Contractual services	338,240	64,185	402,425
Utilities	-	29,545	29,545
Repairs and maintenance	14,066	31,263	45,329
Other expenses	2,234	37,592	39,826
Amortization	-	13,772	13,772
Depreciation	34,408	131,498	165,906
Total operating expenses	<u>420,380</u>	<u>743,896</u>	<u>1,164,276</u>
Operating income (loss)	<u>(58,560)</u>	<u>415,058</u>	<u>356,498</u>
<b>Nonoperating revenue (expenses)</b>			
Income from joint venture	38,427	-	38,427
Interest income	3,559	22,292	25,851
Interest expense	(74,551)	(44,549)	(119,100)
Total nonoperating revenues (expenses)	<u>(32,565)</u>	<u>(22,257)</u>	<u>(54,822)</u>
Income (loss) before contributions and transfers out	(91,125)	392,801	301,676
Transfers in	-	46,015	46,015
Transfers out	<u>(2,001)</u>	<u>-</u>	<u>(2,001)</u>
Change in net assets	(93,126)	438,816	345,690
Net assets - beginning of year	<u>2,027,960</u>	<u>2,488,189</u>	<u>4,516,149</u>
Net assets - end of year	<u>\$ 1,934,834</u>	<u>\$ 2,927,005</u>	<u>\$ 4,861,839</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 351,819	\$ 1,130,924	\$ 1,482,743
Receipts from other funds	-	21,882	21,882
Payments to other funds	(524)	-	(524)
Payments to suppliers	(339,071)	(250,822)	(589,893)
Payments to employees	(28,630)	(337,718)	(366,348)
Net cash provided (used) by operating activities	(16,406)	564,266	547,860
<b>Cash flows from noncapital financing activities</b>			
Transfer from other funds	-	46,015	46,015
Transfers to other funds	(2,001)	-	(2,001)
Net cash provided (used) by noncapital financing activities	(2,001)	46,015	44,014
<b>Cash flows from capital and related financing activities</b>			
Purchases/construction of capital assets	-	(117,764)	(117,764)
Principal and interest paid on long-term debt	(74,551)	(209,549)	(284,100)
Net cash used by capital and related financing activities	(74,551)	(327,313)	(401,864)
<b>Cash flows from investing activities</b>			
Interest received	3,559	22,292	25,851
Net increase (decrease) in cash and cash equivalents	(89,399)	305,260	215,861
Cash and cash equivalents - beginning of year	211,639	1,012,824	1,224,463
Cash and cash equivalents - end of year	<u>\$ 122,240</u>	<u>\$ 1,318,084</u>	<u>\$ 1,440,324</u>

**City of New Buffalo**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (58,560)	\$ 415,058	\$ 356,498
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	34,408	145,270	179,678
Changes in assets and liabilities			
Receivables (net)	(10,001)	(28,030)	(38,031)
Due from other funds	-	21,882	21,882
Prepaid items	-	4,190	4,190
Accounts payable	7,650	15,917	23,567
Accrued and other liabilities	10,621	(11,334)	(713)
Customer deposits	-	338	338
Due to other funds	(524)	-	(524)
Net cash provided (used) by operating activities	<u>\$ (16,406)</u>	<u>\$ 564,266</u>	<u>\$ 547,860</u>

**City of New Buffalo**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2005**

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	<u>Current Tax Fund</u>	<u>Winter Tax Fund</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 1,254</u>	<u>\$ 7,154</u>
 <b>Liabilities</b>		
Accounts payable	\$ 1,086	\$ -
Due to other funds	<u>168</u>	<u>7,154</u>
 Total liabilities	<u>\$ 1,254</u>	<u>\$ 7,154</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

City of New Buffalo is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations.

**Blended Component Units** - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is in substance the same as the City. It is reported as part of the City and blended into the appropriate funds.

*Building Authority* – The City of New Buffalo Building Authority is governed by a three member board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the

direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they

**City of New Buffalo**  
**Notes to Financial Statements**  
**June 30, 2005**

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are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state shared revenues and other sources.
- The Major and Local Street Funds account for the resources of state gas and weight tax revenue that are restricted for use on major and local streets.
- The Park Fund accounts for the costs of maintaining a park and recreation program.
- The Special Assessment Debt Service Fund is used to account for the annual payment of principal, interest and expenditures in connection with the long-term debt associated with the special assessment.

The City reports the following Major Proprietary Funds:

- The Sewer Fund accounts for the cost of collection and treating waste waters.
- The Water Fund accounts for the costs of providing water services to City residents.

Additionally, the government reports the following:

*Capital Projects Funds* – are used to account for the development of capital facilities other than those financed by the operations of an enterprise fund.

*Trust and Agency Funds* – are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**City of New Buffalo**  
**Notes to Financial Statements**  
**June 30, 2005**

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds, relate to charges to customers for water sales and services, and sewage disposal. The Water and Sewer Fund also recognize tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure are recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

*Deposits and investments* – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without

prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

*Receivables and payables* – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31 and the related property taxes are billed on July 1 and December 1 of the following year. If the summer tax bills (7/1) are not paid by the due date, October 1, a 4% penalty is charged and the entire amount is rolled into the winter bills. If the winter tax bills (12/1) are not paid by the due date, February 14, a 4% penalty is charged and the balance is turned over to the County on March 1.

The City's 2004 ad valorem tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the government totaled \$127,558,744 on which ad valorem taxes consisted of 12.2108 mills for operating purposes, and 0.3002 for debt service. This resulted in \$1,557,594 for operating expenses, and \$38,293 for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

*Inventories and prepaid items* – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded

**City of New Buffalo**  
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as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Restricted assets* – The Water Fund contains a restricted cash account, which consists of customer deposits and is restricted to the refunding of those deposits at customer termination.

*Capital assets* – Capital assets, which include property, plant equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The City began recording governmental infrastructure constructed July 1, 2003..

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and building improvements	20 to 40 years
Utility system	20 to 40 years
Roads	25 years
Other infrastructure	20 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

*Compensated absences* – Vacation and sick pay and other employee benefits, are recognized only when credit is taken by the employee. Benefits not paid to an employee during any period, except for sick pay, are not accumulated past year-end. Benefits are not paid upon termination of employment. Benefits are earned as follows:

*Sick Pay* - Twelve days per year with a maximum 120 days during employment. No payment for unused sick pay upon termination of employment.

*Vacation* - One or more weeks per year, depending on years of service. No payment or carryover, if vacation is not taken, except under unusual circumstances if requested by the department supervisor and approved by the city council.

*Long-term obligations* – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

#### **Comparative data**

Comparative data is not included in the City's financial statements.

#### **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### **Budgetary information**

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following June 30. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

For fiscal year ended June 30, 2005, the City adopted a budgeted fund deficit of \$48,124 in the Park Fund. This budget was in violation of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). However, the City later amended this budget to eliminate the budgeted deficit.

#### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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The governing body has designated three banks for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 1,150,838	\$ -
Business-type activities	<u>1,422,477</u>	<u>17,847</u>
Total primary government	2,573,315	17,847
Fiduciary funds	<u>8,408</u>	<u>-</u>
Total	<u>\$ 2,581,723</u>	<u>\$ 17,847</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 2,590,802	\$ 8,408
Petty cash and cash on hand	<u>360</u>	<u>-</u>
	<u>\$ 2,591,162</u>	<u>\$ 8,408</u>

### Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City has chosen to deposit funds in 3 local banking institutions in an attempt to minimize custodial credit risk. As of June 30, 2005, \$2,273,781 of the City's bank balances of \$2,662,175 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
<b>Primary government</b>		
Special assessments	\$ 216,354	Debt Service - Special Assessment

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
<b>Primary government</b>	
State shared revenue	\$ 34,667
Special assessments	231,584
Interest revenue	<u>13,458</u>
	<u>\$ 279,709</u>

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**NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 181,467	\$ -	\$ -	\$ 181,467
Capital assets being depreciated				
Land improvements	529,500	-	-	529,500
Infrastructure	140,428	-	-	140,428
Buildings, additions and improvements	2,689,400	-	-	2,689,400
Machinery and equipment	1,925,012	50,215	-	1,975,227
Total capital assets being depreciated	5,284,340	50,215	-	5,334,555
Less accumulated depreciation for				
Land improvements	289,630	26,474	-	316,104
Infrastructure	4,681	5,617	-	10,298
Buildings, additions and improvements	538,756	68,315	-	607,071
Machinery and equipment	1,397,180	141,427	-	1,538,607
Total accumulated depreciation	2,230,247	241,833	-	2,472,080
Net capital assets being depreciated	3,054,093	(191,618)	-	2,862,475
Governmental activities capital assets, net	\$ 3,235,560	\$ (191,618)	\$ -	\$ 3,043,942

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 20,500	\$ -	\$ -	\$ 20,500
Capital assets being depreciated				
Buildings, additions and improvements	6,253,878	116,714	8,501	6,362,091
Machinery and equipment	491,428	9,551	-	500,979
Total capital assets being depreciated	6,745,306	126,265	8,501	6,863,070
Less accumulated depreciation for				
Buildings, additions and improvements	2,908,901	145,230	-	3,054,132
Machinery and equipment	344,920	20,676	-	365,596
Total accumulated depreciation	3,253,822	165,906	-	3,419,728
Net capital assets being depreciated	3,491,484	(39,641)	8,501	3,443,342
Business-type capital assets, net	\$ 3,511,984	\$ (39,641)	\$ 8,501	\$ 3,463,842

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Depreciation expense was charged to programs of the primary government as follows:

**Governmental activities**

General government	\$ 125,494
Public safety	56,708
Public works	16,124
Recreation and culture	<u>43,507</u>
Total governmental activities	<u>241,833</u>

**Business-type activities**

Sewer	34,408
Water	<u>131,498</u>
Total business-type activities	<u>165,906</u>
Total primary government	<u>\$ 407,739</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, TRANSFERS**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	GO Bond Debt	\$ 34,175
	Fiduciary	258
Debt Service - Special Assessment	Fiduciary	<u>7,064</u>
		<u>\$ 41,497</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General	Major Street	\$ 10,000
General	Local Street	20,000
General	Park	70,000
General	Building Authority	125,738
General	Capital Improvements	20,145
General	Equipment Purchase	114,000
General	GO Bond Debt	1,000
Park	Harbor Dredging	3,598
Capital Improvements	Michigan Transportation	37,543
Transportation Improvement	Michigan Transportation	4,363
Major Street	Water	44,014
Sewer	Water	<u>2,001</u>
		<u>\$ 452,402</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**NOTE 7 - LEASES**

**Capital leases**

The government has entered into a lease agreement as lessee for financing the purchase of a fire truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

**City of New Buffalo**  
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The future minimum lease obligations and the net present value are as follows:

<u>Year ending June 30,</u>	
2006	\$ 17,449
2007	17,010
2008	16,571
2009	16,132
2010	15,694
2011 - 2014	<u>58,387</u>
Total minimum lease payments	141,243
Less amount representing interest	<u>19,743</u>
Present value of minimum lease payments	<u>\$ 121,500</u>

is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the City) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity is summarized as follows:

The asset acquired through a capital lease is as follows:

Asset	
Machinery and equipment	\$ 135,000
Less accumulated depreciation	<u>(24,750)</u>
Total	<u>\$ 110,250</u>

**NOTE 8 - LONG-TERM DEBT**

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment

**City of New Buffalo**  
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
General obligation bonds									
1991	\$ 325,000	2005		\$35,000	\$ 70,000	\$ -	\$ 35,000	\$ 35,000	\$ 35,000
Special assessment									
obligations 2000	495,000	2019	5.20 - 6.00%	10,000 - 35,000	370,000	-	30,000	340,000	30,000
Building authority bonds 1996	1,515,000	2016	4.875 - 5.40%	65,000 - 130,000	1,200,000	-	65,000	1,135,000	65,000
Installment purchase - fire truck	126,629	2004	5.25%	18,344	18,344	-	18,344	-	-
Installment purchase - gate	20,000	2006	2.625%	6,838	13,334	-	6,496	6,838	6,838
Installment purchase - equipment	10,000	2006	3.30%	2,500	7,500	-	2,500	5,000	2,500
Transportation fund bonds									
2003 Michigan	155,000	2013	2.00 - 3.70%	15,000 - 20,000	155,000	-	15,000	140,000	15,000
Lease purchase - fire truck	135,000	2013	3.25%	13,500	135,000	-	13,500	121,500	13,500
Total governmental activities					<u>\$ 1,969,178</u>	<u>\$ -</u>	<u>\$ 185,840</u>	<u>\$ 1,783,338</u>	<u>\$ 167,838</u>
<b>Business-type activities</b>									
General obligation bonds									
2003 Limited tax	1,520,000	2012	1.90 - 4.30%	85,000 - 105,000	\$ 1,445,000	\$ -	\$ 165,000	\$ 1,280,000	\$ 170,000
Less deferred amounts					<u>(58,942)</u>	<u>-</u>	<u>(8,420)</u>	<u>(50,522)</u>	<u>(8,420)</u>
Total business-type activities					<u>\$ 1,386,058</u>	<u>\$ -</u>	<u>\$ 156,580</u>	<u>\$ 1,229,478</u>	<u>\$ 161,580</u>

**City of New Buffalo**  
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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 167,838	\$ 84,618	\$ 170,000	\$ 41,942
2007	131,000	77,634	170,000	38,075
2008	138,500	71,981	175,000	33,549
2009	138,500	65,788	180,000	28,060
2010	143,500	59,426	185,000	21,895
2011-2015	769,000	184,689	400,000	21,281
2016-2020	295,000	20,660	-	-
	<u>\$ 1,783,338</u>	<u>\$ 564,796</u>	<u>\$ 1,280,000</u>	<u>\$ 184,802</u>

**Contract payable**

On September 24, 2003, the Galien River Sanitary District (GRSD) issued an \$8.1 million General Obligation Limited Tax Bond. As the bonds were issued by the GRSD, the City has recorded a contract payable of \$1,567,639 for their pro-rata portion of these bonds. Annual debt service requirements to maturity for the contract payable are as follows:

Year Ended June 30,	Principal	Interest
2006	\$ -	\$ 63,901
2007	44,574	63,455
2008	45,543	62,326
2009	47,481	60,901
2010	48,450	59,402
2011 - 2015	271,320	269,533
2016 - 2020	323,646	213,321
2021 - 2025	397,290	137,736
2026 - 2029	389,335	37,585
Total	<u>\$ 1,567,639</u>	<u>\$ 968,160</u>

Accrued interest as of June 30, 2005 was \$10,650.

**NOTE 9 - DEFEASED DEBT**

On September 30, 2003, the City defeased a bond issue by creating a separate irrevocable trust fund. New debt has been issued and the net proceeds of the refunding were placed in a separate special escrow account and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements.

As of June 30, 2005, the amount of defeased debt outstanding but removed from the City's financial statements amounted to \$1,375,000 for the refinancing of the Water Supply System Revenue Bonds of 1995.

**NOTE 10 - RESTRICTED NET ASSETS**

In 1996, the City Council restricted one third of all water tap-in fees per year to be escrowed for future system expansion and studies. The restricted balance at June 30, 2005 and 2004 was \$181,665 and \$150,783, respectively.

**City of New Buffalo**  
**Notes to Financial Statements**  
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**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omission, employees' injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for workers' compensation, death and disability, hospitalization and life claims, and participates in the Michigan Municipal League risk pool for claims relating to liability, fire, fleet, and bonds. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

**Defined contribution pension plan**

The City provides pension benefits to all of its full-time employees except the city manager through a self-directed defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate when they have completed at least one year of service and are at least twenty-one years of age. As established by the Plan, the City contributes 7 percent of employees' gross earnings. The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after 10 years of service.

The City's total payroll during the current year was \$1,078,410. The current year contribution was calculated based on covered base salaries of \$762,901, resulting in an employer contribution of \$53,403. The City used \$11,700 in forfeitures to offset a portion of the employer

contribution. The covered base salaries could vary immaterially due to employee turnover, as contributions are based on an estimate of what annual base salaries will be during the current plan year.

One employee is covered by a separate deferred compensation pension plan in which they have the option of making matching contributions to the plan. The contributions are fully vested. Employer contributions are based on 7 percent of gross earnings and are fully vested after 10 years of service. On October 1, 2002, the City adopted an amendment to this plan. Under the amendment, the employee is not required to make contributions to the plan. The City is required to contribute 7 percent of the employee's gross earnings and these contributions are fully vested. The total employer contributions were \$3,937 based on a covered base salary of \$56,244.

**NOTE 13 - JOINT VENTURES**

The City is a participant in related organizations as follows:

The City is a member of the Pine Grove Cemetery, which provides services to residents of New Buffalo and New Buffalo Township. The participating communities provide annual funding for the operations of the cemetery. During the current year, the City contributed \$24,000 for its operation.

The City is a participant with Chikaming Township, Lake Township, New Buffalo Township, and the City of Bridgeman, in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of those communities. The Galien River Sanitary District pro-rata percentage of ownership is as follows:

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City of New Buffalo	21.6%
Chikaming Township	28.6%
New Buffalo Township	16.6%
Lake Charter Township	16.6%
City of Bridgman	16.6%

The Galien River Sanitary District (GRSD) is governed by a six-member Board of Trustees, one member selected by the governing body of each constituent municipality (for a total of five members), and one member is selected by the other five members. The term of office is six years. The at-large member serves as Chairperson of the Board. The contracting parties provide annual funding to meet debt service requirements on bonds issued to pay for plant construction.

On September 24, 2003, the GRSD issued an \$8.1 million General Obligation Limited Tax Bond for the design, acquisition, construction and equipping improvements for expansion of the plant. As the bonds were issued by the GRSD, the City has recorded a contract payable in the amount of \$1,567,639 for their pro-rata portion of these bonds. The GRSD bills the City for their portion of principal and interest on the bonds as those payments become due.

The City's share of the operating results of the District are reported in the City's Sewer Fund (an Enterprise Fund). The City's equity interest in the District was \$853,265 at December 31, 2003 (the District's year-end) and \$891,692 at December 31, 2004. Complete financial statements for the Galien River Sanitary District can be obtained from the New Buffalo City Clerk's office.

**NOTE 14 - BUILDING PERMIT FEES**

The City charges a fee for generating building permits for commercial and residential construction projects. An outside contractor, who receives 80% of the building permit fees generated, performs the work. The City keeps an administrative fee of 20%.

A breakdown of the revenues and related expenditures for the year ended June 30, 2005 is as follows:

Carryover deficit from prior year	\$ (9,360)
Total building permit revenues	113,267
Total building permit expenditures	<u>(104,381)</u>
Deficiency of revenue over expenditures	\$ <u>(474)</u>

Due to the deficiency, no designation of net assets is required in the General Fund.

**NOTE 15 - PRIOR PERIOD ADJUSTMENTS**

	<u>General Fund</u>
Unrecorded revenue for site plan reviews	\$ <u>13,903</u>
	<u>Park Fund</u>
Unrecorded receivable for marina fee collection	\$ <u>8,796</u>

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	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 1,553,795	\$ 1,553,795	\$ 1,558,726	\$ 4,931
Penalties and interest	12,500	7,200	12,597	5,397
Licenses and permits	113,100	125,100	113,273	(11,827)
State revenue sharing	210,500	202,700	195,994	(6,706)
Local contributions	5,000	-	-	-
Charges for services	205,640	228,990	224,347	(4,643)
Fines and forfeitures	34,500	35,500	21,630	(13,870)
Interest income	5,000	11,000	17,392	6,392
Rental income	360	-	-	-
Other revenue	15,000	71,360	21,204	(50,156)
Sale of fixed assets	200	200	410	210
Total revenues	<u>2,155,595</u>	<u>2,235,845</u>	<u>2,165,573</u>	<u>(70,272)</u>
<b>Expenditures</b>				
General government				
Legislative	39,220	50,000	48,221	(1,779)
Executive	78,003	81,295	78,110	(3,185)
Elections	6,506	7,006	9,298	2,292
Clerk	97,287	97,793	88,659	(9,134)
Board of review	900	900	1,050	150
Treasurer	115,777	124,000	121,815	(2,185)
Assessor	25,415	25,415	24,085	(1,330)
Elections	-	-	-	-
Buildings and grounds	-	-	-	-
Attorney	-	-	-	-
Cemetery	24,000	24,000	24,000	-
Total general government	<u>387,108</u>	<u>410,409</u>	<u>395,238</u>	<u>(15,171)</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
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	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public safety				
Police	\$ 595,318	\$ 610,669	\$ 581,657	\$ (29,012)
Fire department	81,144	81,044	62,714	(18,330)
Building inspection department	81,143	118,143	104,379	(13,764)
Total public safety	<u>757,605</u>	<u>809,856</u>	<u>748,750</u>	<u>(61,106)</u>
Public works				
Highways, streets and bridges	251,586	256,806	235,375	(21,431)
Street lighting	34,000	34,000	32,153	(1,847)
Sanitation department	153,850	159,550	161,540	1,990
Total public works	<u>439,436</u>	<u>450,356</u>	<u>429,068</u>	<u>(21,288)</u>
Health and welfare				
Ambulance	<u>115,000</u>	<u>105,000</u>	<u>101,948</u>	<u>(3,052)</u>
Community and economic development				
Planning	4,031	11,331	6,080	(5,251)
Zoning	<u>12,902</u>	<u>54,902</u>	<u>3,802</u>	<u>(51,100)</u>
Total community and economic development	<u>16,933</u>	<u>66,233</u>	<u>9,882</u>	<u>(56,351)</u>
Recreation and culture				
Parks and recreation	<u>550</u>	<u>550</u>	<u>-</u>	<u>(550)</u>
Other functions				
Insurance and bonds	31,000	30,400	28,869	(1,531)
Miscellaneous projects	25,000	39,600	41,888	2,288
Tax tribunal refunds	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total other functions	<u>57,000</u>	<u>71,000</u>	<u>70,757</u>	<u>(243)</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Capital outlay	\$ -	\$ -	\$ 11,107	\$ 11,107
Debt service				
Principal retirement	19,854	19,854	18,344	(1,510)
Interest and fiscal charges	-	-	1,046	1,046
Total debt service	19,854	19,854	19,390	(464)
Transfers out	353,738	363,738	360,883	(2,855)
Total expenditures	2,147,224	2,296,996	2,147,023	(149,973)
Excess (deficiency) of revenues over expenditures	8,371	(61,151)	18,550	79,701
Fund balance - beginning of year	400,228	400,228	400,228	-
Prior period adjustment	13,903	13,903	13,903	-
Fund balance - beginning of year (restated)	414,131	414,131	414,131	-
Fund balance - end of year	<u>\$ 422,502</u>	<u>\$ 352,980</u>	<u>\$ 432,681</u>	<u>\$ 79,701</u>

**City of New Buffalo**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State revenue sharing	\$ 137,800	\$ 149,000	\$ 142,934	\$ (6,066)
Interest income	2,900	600	1,145	545
Transfers in	10,000	10,000	10,000	-
Total revenues	150,700	159,600	154,079	(5,521)
<b>Expenditures</b>				
Current				
Public works	98,720	111,157	92,570	(18,587)
Transfers out	46,700	44,014	44,014	-
Total expenditures	145,420	155,171	136,584	(18,587)
Excess of revenues over expenditures	5,280	4,429	17,495	13,066
Fund balance - beginning of year	46,318	46,318	46,318	-
Fund balance - end of year	\$ 51,598	\$ 50,747	\$ 63,813	\$ 13,066

**City of New Buffalo**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
State revenue sharing	\$ 72,000	\$ 72,000	\$ 71,109	\$ (891)
Interest income	50	500	472	(28)
Transfers in	20,000	20,000	20,000	-
 Total revenues	 92,050	 92,500	 91,581	 (919)
<b>Expenditures</b>				
Current				
Public works	85,425	85,813	85,316	(497)
				-
Total expenditures	85,425	85,813	85,316	(497)
				-
Excess of revenues (deficiency) over expenditures	6,625	6,687	6,265	(422)
 Fund balance - beginning of year	 35,750	 35,750	 35,750	 -
 Fund balance - end of year	 \$ 42,375	 \$ 42,437	 \$ 42,015	 \$ (422)

**City of New Buffalo**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Park Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Charges for services	\$ 210,830	\$ 205,000	\$ 216,265	\$ 11,265
Interest income	500	500	(198)	(698)
Other revenue	4,000	7,000	12,142	5,142
Transfers in	60,000	70,000	70,000	-
Total revenues	<u>275,330</u>	<u>282,500</u>	<u>298,209</u>	<u>15,709</u>
<b>Expenditures</b>				
Current				
Recreation and culture	317,991	259,884	241,496	(18,388)
Capital outlay	-	-	8,220	8,220
Debt service				
Principal retirement	-	11,667	8,996	(2,671)
Interest and fiscal charges	-	1,015	770	(245)
Transfers out	5,000	5,000	3,598	(1,402)
Total expenditures	<u>322,991</u>	<u>277,566</u>	<u>263,080</u>	<u>(14,486)</u>
Excess of revenues (deficiency) over expenditures	<u>(47,661)</u>	<u>4,934</u>	<u>35,129</u>	<u>30,195</u>
Fund balance - beginning of year	(9,259)	(9,259)	(9,259)	-
Prior period adjustment	<u>8,796</u>	<u>8,796</u>	<u>8,796</u>	<u>-</u>
Fund balance - beginning of year (restated)	<u>(463)</u>	<u>(463)</u>	<u>(463)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (48,124)</u>	<u>\$ 4,471</u>	<u>\$ 34,666</u>	<u>\$ 30,195</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Debt Service Fund - Special Assessment**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Interest income	\$ 500	\$ 250	\$ 25,182	\$ 24,932
Other revenue	50,450	50,450	31,330	(19,120)
Transfers in	5,000	-	-	-
Total revenues	55,950	50,700	56,512	5,812
<b>Expenditures</b>				
Debt service				
Principal retirement	30,000	30,000	30,000	-
Interest and fiscal charges	20,950	21,150	20,579	(571)
Total expenditures	50,950	51,150	50,579	(571)
Excess of revenues (deficiency) over expenditures	5,000	(450)	5,933	6,383
Fund balance - beginning of year	75,503	75,503	75,503	-
Fund balance - end of year	\$ 80,503	\$ 75,053	\$ 81,436	\$ 6,383

**City of New Buffalo**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2005**

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>Harbor Dredging</u>	<u>Michigan Transportation</u>	<u>GO Bond Debt</u>	<u>Capital Improvements</u>	<u>Equipment Purchase</u>	<u>Park Beautification</u>	<u>Building Authority</u>	
<b>Assets</b>								
Cash and cash equivalents	<u>\$ 67,439</u>	<u>\$ 30,044</u>	<u>\$ 35,783</u>	<u>\$ 189,867</u>	<u>\$211,337</u>	<u>\$ 301</u>	<u>\$103,377</u>	<u>\$ 638,148</u>
<b>Liabilities</b>								
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,175</u>
<b>Fund Balances</b>								
Other undesignated	<u>67,439</u>	<u>30,044</u>	<u>1,608</u>	<u>189,867</u>	<u>211,337</u>	<u>301</u>	<u>103,377</u>	<u>603,973</u>
Total liabilities and fund balances	<u>\$ 67,439</u>	<u>\$ 30,044</u>	<u>\$ 35,783</u>	<u>\$ 189,867</u>	<u>\$211,337</u>	<u>\$ 301</u>	<u>\$103,377</u>	<u>\$ 638,148</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2005**

	Special Revenue	Debt Service Funds			Capital Projects Funds				Total
	Fund	Michigan	GO Bond	Capital	Equipment	Park	Building	Transport-	Nonmajor
	Harbor	Transportation	Debt	Improve-	Purchase	Beautifi-	Authority	cation	Governmental
	Dredging			ments		cation		Improvement	Funds
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ 38,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,278
Interest income	693	-	(64)	2,786	3,164	(4)	1,828	-	8,403
Other revenue	3,350	-	-	-	-	-	-	-	3,350
Total revenues	<u>4,043</u>	<u>-</u>	<u>38,214</u>	<u>2,786</u>	<u>3,164</u>	<u>(4)</u>	<u>1,828</u>	<u>-</u>	<u>50,031</u>
<b>Expenditures</b>									
Current									
General government	-	-	-	-	1,453	-	-	-	1,453
Public safety	-	-	-	-	5,915	-	-	-	5,915
Capital outlay	-	-	-	-	30,889	-	-	-	30,889
Principal retirement	-	15,000	35,000	-	13,500	-	65,000	-	128,500
Interest and fiscal charges	-	4,418	3,700	-	4,388	-	66,766	-	79,272
Total expenditures	<u>-</u>	<u>19,418</u>	<u>38,700</u>	<u>-</u>	<u>56,145</u>	<u>-</u>	<u>131,766</u>	<u>-</u>	<u>246,029</u>
Excess (deficiency) of revenues over expenditures	<u>4,043</u>	<u>(19,418)</u>	<u>(486)</u>	<u>2,786</u>	<u>(52,981)</u>	<u>(4)</u>	<u>(129,938)</u>	<u>-</u>	<u>(195,998)</u>
<b>Other financing sources (uses)</b>									
Transfers in	3,598	41,906	1,000	20,145	114,000	-	125,738	-	306,387
Transfers out	-	-	-	(37,543)	-	-	-	(4,363)	(41,906)
Total other financing sources (uses)	<u>3,598</u>	<u>41,906</u>	<u>1,000</u>	<u>(17,398)</u>	<u>114,000</u>	<u>-</u>	<u>125,738</u>	<u>(4,363)</u>	<u>264,481</u>
Net change in fund balance	7,641	22,488	514	(14,612)	61,019	(4)	(4,200)	(4,363)	68,483
Fund balance - beginning of year	<u>59,798</u>	<u>7,556</u>	<u>1,094</u>	<u>204,479</u>	<u>150,318</u>	<u>305</u>	<u>107,577</u>	<u>4,363</u>	<u>535,490</u>
Fund balance - end of year	<u>\$ 67,439</u>	<u>\$ 30,044</u>	<u>\$ 1,608</u>	<u>\$ 189,867</u>	<u>\$ 211,337</u>	<u>\$ 301</u>	<u>\$ 103,377</u>	<u>\$ -</u>	<u>\$ 603,973</u>

See Accompanying Notes to Financial Statements

**City of New Buffalo**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2005**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
<b>Governmental Activities</b>				
1991 General Obligation Bonds Date of issue: 3-1-91 Amount of issue: \$325,000	3.00%	10/1/05	\$ 35,000	<u>\$ 35,000</u>
2000 Special Assessment Bonds Date of issue: 4-1-00 Amount of issue: \$495,000	5.20%	06/01/06	30,000	30,000
	5.30%	06/01/07	30,000	30,000
	5.35%	06/01/08	35,000	35,000
	5.40%	06/01/09	30,000	30,000
	5.50%	06/01/10	30,000	30,000
	5.55%	06/01/11	30,000	30,000
	5.60%	06/01/12	35,000	35,000
	5.65%	06/01/13	30,000	30,000
	5.75%	06/01/14	30,000	30,000
	5.85%	06/01/15	15,000	15,000
	5.90%	06/01/16	10,000	10,000
	6.00%	06/01/17	10,000	10,000
	6.00%	06/01/18	15,000	15,000
	6.00%	06/01/19	10,000	<u>10,000</u>
				<u>340,000</u>

**City of New Buffalo**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2005**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
1996 Building Authority Bonds	4.875%	09/01/05	\$ 65,000	\$ 65,000
Date of issue: 1-1-97	4.875%	09/01/06	70,000	70,000
Amount of issue: \$1,515,000	4.875%	09/01/07	75,000	75,000
	4.90%	09/01/08	80,000	80,000
	5.00%	09/01/09	85,000	85,000
	5.10%	09/01/10	90,000	90,000
	5.20%	09/01/11	95,000	95,000
	5.25%	09/01/12	100,000	100,000
	5.30%	09/01/13	110,000	110,000
	5.35%	09/01/14	115,000	115,000
	5.40%	09/01/15	120,000	120,000
	5.40%	09/01/16	130,000	130,000
				<u>1,135,000</u>
Michigan Transportation Fund Bonds, Series 2003	2.00%	12/01/05	15,000	15,000
Date of issue: 7-15-03	2.00%	12/01/06	15,000	15,000
Amount of issue: \$155,000	2.20%	12/01/07	15,000	15,000
	2.50%	12/01/08	15,000	15,000
	2.80%	12/01/09	15,000	15,000
	3.20%	12/01/10	15,000	15,000
	3.40%	12/01/11	15,000	15,000
	3.60%	12/01/12	15,000	15,000
	3.70%	12/01/13	20,000	20,000
				<u>140,000</u>
Installment Purchase Agreement	2.625%	03/18/06	6,838	<u>6,838</u>
Date of agreement: 3-19-03				
Amount of agreement: \$20,000				

**City of New Buffalo**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2005**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
Installment Purchase Agreement	3.30%	11/01/05	\$ 2,500	\$ 2,500
Date of agreement: 10-11-02	3.30%	11/01/06	2,500	2,500
Amount of agreement: \$10,000				<u>5,000</u>
Equipment Lease Purchase Agreement	3.25%	09/10/05	13,500	13,500
Date of agreement: 9-10-03	3.25%	09/10/06	13,500	13,500
Amount of agreement: \$135,000	3.25%	09/10/07	13,500	13,500
	3.25%	09/10/08	13,500	13,500
	3.25%	09/10/09	13,500	13,500
	3.25%	09/10/10	13,500	13,500
	3.25%	09/10/11	13,500	13,500
	3.25%	09/10/12	13,500	13,500
	3.25%	09/10/13	13,500	13,500
				<u>121,500</u>
Total governmental activities				<u>1,783,338</u>

**City of New Buffalo**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**June 30, 2005**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
<b>Business-type Activities</b>				
Limited Tax General Obligation Bonds, Series 2003	1.90%	11/01/05	\$ 85,000	\$ 85,000
Date of issue: 9-30-03	2.40%	05/01/06	85,000	85,000
Amount of issue: \$1,520,000	2.40%	11/01/06	85,000	85,000
	2.75%	05/01/07	85,000	85,000
	2.75%	11/01/07	85,000	85,000
	3.20%	05/01/08	90,000	90,000
	3.20%	11/01/08	90,000	90,000
	3.50%	05/01/09	90,000	90,000
	3.50%	11/01/09	90,000	90,000
	3.95%	05/01/10	95,000	95,000
	3.95%	11/01/10	95,000	95,000
	4.15%	05/01/11	100,000	100,000
	4.15%	11/01/11	100,000	100,000
	4.30%	05/01/12	105,000	105,000
				<u>1,280,000</u>
Less deferred amounts				<u>(50,522)</u>
Total business-type activities				<u>1,229,478</u>
Total indebtedness				<u><u>\$ 3,012,816</u></u>